



**Steetley Industries Limited
1969 ANNUAL REPORT**

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Directors

J. C. BURD	Niagara Falls, Ontario
L. R. DOWSETT	Worksop, Notts, England
H. M. GRIFFITH	.....	Toronto, Ontario
D. H. HENDERSON	.....	Hamilton, Ontario
N. M. PEECH	.....	Worksop, Notts, England
C. G. PIRIE	.....	Freelton, Ontario
J. S. SPEARING, C.A.	.....	Ancaster, Ontario
W. STOCKS, M.B.E.	.....	Worksop, Notts, England

Executive Officers

N. M. PEECH	.....	Chairman of the Board
D. H. HENDERSON	.....	Vice-Chairman of the Board
J. S. SPEARING, C.A.	.....	President
H. E. BAKER, C.A.	.....	Secretary-Treasurer

Operating Companies and other Executives **CANADA CRUSHED STONE DIVISION**

A. J. DEMARCHI	.....	Vice-President — Operations
R. M. LENNIE	Vice-President — Sales

QUEENSTON QUARRIES

J. C. BURD	Vice-President & General Manager
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MILLS STEEL PRODUCTS LIMITED

P. A. NEUMAN	Vice-President & General Manager
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VALLANCE, BROWN & CO. LIMITED

C. G. PIRIE	President
H. W. DANIELS	Vice-President

Registrar and Transfer Agents

National Trust Company Limited	Toronto
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Auditors

McDonald, Currie & Co.

Steetley Industries Limited

DIRECTORS' REPORT

To the Shareholders of
Steetley Industries Limited.

Your Board of Directors submits herewith the Nineteenth Annual Report of the Company, together with the Consolidated Balance Sheet and related financial statements for the year ended December 31, 1969, and the report of the auditors.

Corporate

The Company during the year changed its name from Canada Crushed & Cut Stone Limited to STEETLEY INDUSTRIES LIMITED in order to more correctly portray its varied interests and to encompass future expansion and acquisitions. As noted in the Second Quarter's Report, the Company now comprises the following divisions and subsidiary companies operating across Canada:—

Canada Crushed Stone Division
Queenston Quarries Division
Mills Steel Products Limited
Vallance, Brown & Co. Limited

The new name now reflects our connection with the Group Parent, The Steetley Company Limited, Worksop, England, whose business is in minerals, chemicals and ceramics.

Financial

Consolidated sales for the Company amounted to \$15,881,508 compared with \$14,052,049 last year. The consolidated earnings before income taxes and minority

interest were \$1,277,065, compared with \$1,737,579 in 1968, whilst net earnings after taxes were \$613,990 as against \$796,958 last year.

The net earnings amounted to \$3.23 per Common Share in 1969, while 1968 earnings were \$4.19.

The sales and profits of Vallance, Brown & Co. Limited have been included from 19th April only, for the 1968 year, whilst 1969 reflects a full year's operations.

The investment market was very advantageous during 1969, and we took full use of the opportunity to invest funds at attractive rates and although the total amount of monies invested remained fairly constant compared with last year, the investment income increased from \$197,880 in 1968 to \$285,332 in 1969.

National Slag Limited, in which your Company has a one-third interest, was affected by a shortage of slag due to the three-month's strike at The Steel Company of Canada Limited; nevertheless a satisfactory dividend was received.

Operations

Canada Crushed Stone and Queenston Quarries

Earnings of the Canada Crushed Stone Division were very adversely affected by the first strike in the company's history, which occurred during the normally busy summer period, and lasted 14 weeks. The 3-year contract finally signed was a costly one and has to be reflected in higher prices for our products. We were only one of many companies beset by a strike in 1969,

and the impact of the settlements is adding to the inflationary tendencies. This division was well ahead of 1968 up to the end of June, but final operating earnings, due to the strike, were reduced by a substantial amount.

A new dried Dolomite fines plant at the Dundas Quarry is nearing completion to supply dried fines for Falconbridge Nickel Mines to be used in their new process for the production of enriched nickel pellets, and to serve our customers in the glass industry; the new plant is expected to be operational by the middle of 1970.

Queenston Quarries, after a slow start, picked up in the latter half of the year to compare favourably with 1968 and somewhat ahead of our expectations. A further substantial armour stone order for the Ontario Hydro Project at Nanticoke was obtained which will extend into 1970. In addition, the proposed improvements to the Welland Canal should reflect in increased business for Queenston in the coming years.

Mills Steel Products Limited

1969 was a difficult year for Mills, caused primarily by the long construction strikes spread across Canada, and the company was particularly hurt in the Toronto, Hamilton and Montreal markets.

Business is gradually coming back to normal, and with the backlog of construction projects under way, Mills looks forward to 1970 with confidence.

Vallance, Brown & Co. Limited

We are pleased with our investment in this company, which recorded results slightly ahead of 1968. The tight money situation is making collection of receivables difficult, and much of the success of this company will lie in its ability to control inventories and accounts receivable. Studies are under way to explore the possibilities of branch expansion in the industrial and electrical distribution fields.

Dividends

Regular quarterly dividends of 30¢ per share were paid during the year for a total of \$1.20 per share, and a dividend of 30¢ per share has been declared for the first quarter of 1970.

Board of Directors and Management

We are pleased to announce that Mr. H. M. Griffith, President and Chief Executive Officer, The Steel Company of Canada Limited was appointed a Director of the Company in December, and the counsel of this distinguished industrialist will be of great value to your Board.

On July 1st, 1969, Mr. J. S. Spearing was appointed President of the Company, and Mr. D. H. Henderson appointed Vice-Chairman of the Board, after 13 years outstanding service as President.

Three senior management appointments were made effective 1st January, 1970. In the Canada Crushed Stone Division, Mr. A. J. DeMarchi, Vice-President — Operations, and Mr. R. M. Lennie, Vice-President — Sales. In the Queenston Quarries Division, Mr. J. C. Burd, Vice-President and General Manager.

Personnel

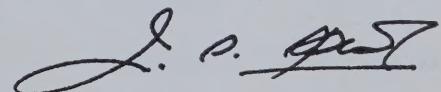
Although 1969 was a problem year at the Dundas Quarry, we recognize the efforts of our employees under difficult conditions and feel sure that we can rely on continuing efforts to make 1970 a success.

Prospects

During the year a number of possible acquisitions were investigated, but to date nothing has been finalized. Expansion through suitable acquisitions continues to be the policy of your Directors.

Your Company is very sensitive to economic conditions in Canada, and a great deal will depend on this factor; however, with a prediction of a very small rise in the Gross National Product for 1970, we look forward to the next year with quiet confidence.

On behalf of the Board of Directors,



J. S. SPEARING,
President

Hamilton, Ontario.
February 23, 1970.

Steetley Industries Limited and Subsidiaries
CONSOLIDATED BALANCE SHEET as at December 31, 1969

Assets

	1969	1968
	\$	\$
CURRENT ASSETS		
Cash	7,678	48,037
Short-term investments — at cost	2,535,000	2,540,867
(quoted market value 1969 — \$2,524,150; 1968 — \$2,546,738)		
Accounts receivable	2,565,262	2,782,243
Accounts receivable — Parent company	28,864	25,772
Inventories — at the lower of cost or net realizable value	2,596,908	2,458,935
Prepaid expenses	13,606	51,391
	<hr/> 7,747,318	<hr/> 7,907,245

DEFERRED CHARGES AND OTHER ASSETS

5% Special refundable tax	11,574	35,549
Cash surrender value of life insurance	65,760	54,839
Investment in National Slag Limited shares	12,500	12,500
8% Mortgages receivable	131,556	132,701
Scaffold equipment — at cost less amounts written off	230,255	219,881
	<hr/> 451,645	<hr/> 455,470

FIXED ASSETS (note 2)	2,981,368	2,864,238
	<hr/> 11,180,331	<hr/> 11,226,953

Signed on behalf of the Board,

D. H. HENDERSON, Director.
J. S. SPEARING, Director.

Liabilities

CURRENT LIABILITIES

	1969	1968
	\$	\$
Bank advances	854,214	365,132
Accounts payable and accrued liabilities	985,548	1,394,524
Income and other taxes	140,340	674,107
	1,980,102	2,433,763
DEFERRED INCOME TAXES	144,600	119,400
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANY	529,343	547,196

Shareholders' Equity

CAPITAL STOCK

Authorized

5,000 6% cumulative redeemable (at \$105) sinking fund shares
at a par value of \$100 each.

200,000 Common shares without nominal or par value.

Issued

190,000 Common shares	95,000	95,000
RETAINED EARNINGS	8,431,286	8,031,594
	8,526,286	8,126,594
	11,180,331	11,226,953

**CONSOLIDATED STATEMENT OF EARNINGS
for the year ended December 31, 1969**

	1969 \$	1968 \$
Sales	15,881,508	14,052,049
Profit from operations before the following charges	1,467,227	2,014,224
Depreciation	468,174	510,353
Depletion	15,351	21,097
Directors' fees	1,000	1,830
	484,525	533,280
Profit from operations	982,702	1,480,944
FINANCIAL		
Investment income	285,332	197,880
Gain on sale of investments and fixed assets	9,031	58,755
	294,363	256,635
Profit before taxes on income and minority shareholders' interest	1,277,065	1,737,579
Taxes on income	625,000	903,657
	652,065	833,922
Minority shareholders' interest	38,075	36,964
Net earnings for the year	613,990	796,958
The following expense is included in the foregoing:		
Remuneration of directors and executive officers	162,676	165,602

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
for the year ended December 31, 1969**

Balance — Beginning of year	8,031,594	4,031,488
Excess of appraised value of fixed assets over depreciated cost	—	2,205,265
Realized appraisal surplus	—	1,016,081
Balance — Beginning of year (restated)	8,031,594	7,252,834
Excess of book value of assets purchased over cost	13,702	615,387
Balance of appraisal write-up of assets over cost	—	(501,152)
Net capital gains on disposal of properties	—	95,567
Net earnings for the year	613,990	796,958
	8,659,286	8,259,594
Dividends — Common	228,000	228,000
Balance — End of year	8,431,286	8,031,594

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended December 31, 1969

SOURCE OF FUNDS	1969	1968
	\$	\$
Net earnings for the year	613,990	796,958
Charges not requiring cash outlay —		
Depreciation and depletion	483,525	531,450
Deferred income taxes	25,200	29,800
Increase in minority interest	15,574	26,179
	1,138,289	1,384,387
Repayment of 5% special refundable tax	23,975	15,510
Proceeds on disposal of fixed assets	39,873	181,567
	1,202,137	1,581,464
USE OF FUNDS		
Purchase of shares of subsidiary	19,725	991,789
Purchase of fixed assets	579,032	463,677
Dividends paid	228,000	228,000
Net additions to scaffold equipment	71,870	52,565
Investment in mortgages receivable	(1,145)	132,701
Increase in cash surrender value of life insurance	10,921	8,732
	908,403	1,877,464
INCREASE (DECREASE) IN WORKING CAPITAL	293,734	(296,000)
WORKING CAPITAL — BEGINNING OF YEAR	5,473,482	4,471,696
Working capital purchased	—	1,297,786
	5,473,482	5,769,482
Increase (Decrease) in working capital	293,734	(296,000)
WORKING CAPITAL — END OF YEAR	5,767,216	5,473,482

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Steetley Industries Limited as at December 31, 1969, and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1969, and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, January 23, 1970.

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended December 31, 1969

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiaries.

The 1968 comparative statement of earnings reflects the operation of a subsidiary from April 19, 1968 (date of purchase).

2. FIXED ASSETS

These are classified as follows:

	1969			1968
	Cost	Accumulated Depletion	Accumulated Depreciation	Net
	\$	\$	\$	\$
Land	293,833			293,833
Buildings	1,370,111		510,788	859,323
Plant and equipment	6,213,308		4,954,036	1,259,272
	7,583,419		5,464,824	2,118,595
Stone quarries	1,295,516	726,576	—	568,940
	9,172,768	726,576	5,464,824	2,981,368
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

3. PAST SERVICES PENSION PAYMENTS

Unfunded past service costs of pension plans at December 31, 1969, approximate \$34,800. Pension costs are charged to operations as they are paid. The 1970 instalment required is \$11,022.

4. CONTINGENT LIABILITIES

The Company is contingently liable as guarantor of loans to employees of a subsidiary aggregating \$187,724.

Steetley Industries Limited

HEAD OFFICE

Harbour Administration Building
Hamilton, Ontario.

DIVISIONS

Canada Crushed Stone — Dundas Quarry
Queenston Quarries — Niagara Falls

SUBSIDIARY COMPANIES

Mills Steel Products Limited
Vallance, Brown & Co. Limited
Ritchie Cut Stone Holdings Limited
Hamilton, Ontario.

